HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
31 DECEMBER 2014

Corporate Information

ABN 31 099 355 790

This half year report covers International Ferro Metals Limited ("IFM") and the entities it controlled at the end of, or during, the six months ended 31 December 2014. The functional currency of each entity in the Group and the presentation currency of the Group is South African Rand ("ZAR").

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' report on page 3. The Directors' report is not part of the financial statements.

Directors

C C Jordaan
X Yang
J F J Muller
A J Grey
S J Turner
T V C Willsteed
S D Oke
T Xia
J C Ballard

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Auditors

Ernst & Young
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Sydney, NSW,
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Directors' Report

The Directors submit their report for the half-year ended 31 December 2014.

DIRECTORS

The names of the Company's Directors in office during the six months ended 31 December 2014 and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Name	Age	Current Position	Date of appointment to Board
Anthony John Grey	77	Non-executive Chairman	9 December 2002
Stephen John Turner	53	Non-executive Deputy Chairman	26 January 2002
Christiaan Cornelius Jordaan	45	Chief Executive Officer	1 August 2011
Xiaoping Yang	59	Executive director – IFMSA & Non-executive director – IFML	12 October 2005
Johannes Frederick Jacobus Muller	45	Finance Director	18 March 2010
Terence Vincent Coleman Willsteed	80	Non-executive Director	12 October 2005
Stephen Douglas Oke	60	Non-executive Director	16 November 2005
Tian Xia	44	Non-executive Director	16 November 2005
John Charles Ballard	68	Non-executive Director	9 March 2010

REVIEW OF OPERATIONS

Ferrochrome Market Review

Global stainless steel production has expanded at approximately 6.8% per annum over the past 5 years, mainly driven by China. FeCr production capacity in China has tracked this expanding demand, with China overtaking South Africa as the dominant supplier of FeCr in 2012. However, the rapid growth in stainless steel and its raw materials outpaced global demand and the slow-down in economic activity resulted in a market overhang with severe pressure on prices. In addition, further pressure has been exerted due to a squeeze on liquidity, which triggered destocking in the latter part of 2014.

Approximately 57% of the world's high-carbon FeCr is consumed in China and local production caters for approximately 75% of the local consumption. The internal FeCr price in China is increasingly functioning as a gauge for competing external material and has a growing influence on global prices. European stainless steel producers are fully aware of the price differential and continuously apply pressure to narrow the price gap. The European benchmark price (BMP) has declined for three consecutive quarters from 122¢/lb in Q2 of calendar 2014 to 108¢/lb in Q1 of calendar 2015. In addition, the discount to the BMP has also increased to the extent that European prices on a CIF basis are now aligned with Chinese prices.

The profitability of Chinese FeCr production came under pressure during 2014 on the back of the increasing cost of ore and reduced alloy prices. This resulted in a slowdown in FeCr production in China during the second half of 2014, with imports not fully supplementing local demand, which lead to some destocking. A similar trend was evident in ore imports that softened significantly and as a result, port stocks reduced from approximately 3 million tonnes in 2013 to 1.7 million tonnes at the end of 2014.

Chinese smelters generally consume approximately 2.35 tonnes of ore per tonne of FeCr produced, with ore constituting approximately 55% of their cost of production. The cost of FeCr production is therefore highly sensitive to ore pricing. The current inventory level of chrome ore in China represents less than two months' consumption and any increase in demand will potentially have an inflationary effect on ore prices and ferrochrome costs.

Although a market balance analysis showed an overhang of FeCr in 2013, a good deal of this has been worked down during the latter part of 2014 on the back of a slowdown in Chinese production, which is anticipated to continue into the first half of 2015. However, a better balanced market is anticipated towards the latter part of 2015 with prices showing potential for improvement, which should continue into 2016 as demand picks up in line with global growth projections, supported by cost pressures.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Sales and inventory

FeCr sales for the half year to 31 December 2014 were down 7% to 101,700t, compared with 109,623t for the comparative period in 2013 and down 10% on the preceding six months. The decrease in sales was as a result of lower production volumes. A higher ratio of FeCr fines sales during the half decreased achieved realised prices. The sales mix represented a good fit to global consumption patterns on the back of IFM's diversification strategy.
FeCr inventory was 10,985t at 31 December 2014, down from 15,288t at 30 June 2014. This is in line with previous guidance of approximately 10,000t. Stocks are expected to remain at these levels over the next two quarters.

The Company is focussed on reducing working capital to optimal levels. As part of this strategy, ore sales increased during the last quarter to 84,000t.

Smelting

FeCr production for the half was 98,016t compared with 116,469t in the comparative period and 111,791t in the previous period. The decrease was due to planned annual routine maintenance shutdowns in August, the impact of the DMR stoppage in November and the trials to assess the viability of using silicon carbide as an alternative reductant in the smelting process. Further to this, as part of a Company initiative to reduce working capital, low grade ore stock was consumed by the furnaces during the period. This had a negative impact on all efficiencies, resulting in lower production volumes.

The ore supply strategy, comprised of Lesedi MG1/MG2, complemented by the LG6 ore from Rooderand, and the maximising of UG2 concentrate through the pelletiser, finally came to fruition in December. This had positive results in terms of process efficiency and costs, which should continue through the first half of calendar 2015.

With the improved stability of electrodes during the prior financial year, furnace power was increased during the period in an effort to raise output, testing previous assumptions on electrode integrity vs. power input. However, some issues with electrode integrity recurred, although not as significant as in the past, which contributed to lower than planned production. Furnace power input has subsequently been decreased to the levels maintained in the prior financial year to ensure integrity of electrodes and process stability as we endeavour to maximise output on the back of our ore supply strategy.

With local supply of coke dwindling, inroads have been made to open channels for the import of coke from both Europe and China. This should result in greater stability in reductant supply, limiting the impact of inferior quality reductants on process stability.

Going forward, it is anticipated that the combination of an improved ore supply strategy, stability in reductant feed to the furnaces, as well as improved electrode integrity leading to process stability, will deliver improved levels of output. This has been the case in the latter part of the first half of 2015.

Notwithstanding this, the Company reduces its production guidance for the year to between 200,000 and 205,000 tonnes of ferrochrome.

Mining

Lesedi underground mine was successfully re-commissioned and work is progressing in line with the accelerated ramp up schedule. The mine produced approximately 53,000 tonnes RoM for the half year and it is planned that Lesedi output will increase significantly over the next 6 months.

Lesedi mines both the MG1 and MG2 reef horizons. MG1 is mined via a conventional breast stoping method and MG2 utilises a room and pillar layout. A Face Drill Rig and Support Bolter were introduced into mining the MG2 seam during the first quarter of 2015. Hence, the MG2 horizon is currently in the process of being mechanised.

The accelerated mining ramp up plan is in line with the overall Company strategy of becoming self-sufficient in terms of ore supply. Significant infrastructure developments are currently taking place to support the accelerated ramp up with particular focus on ore reserve development to ensure sustainability of ore supply.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Lesedi is on track to produce cost effective high grade ore to be utilised in the smelters.

In line with expectations, and the Company's stated strategy to acquire higher-grade feed stock for the furnaces, mining at Chrometco's Rooderand LG6 open pit mine commenced in November 2014. The first run of mine ore was transported to the Lesedi beneficiation plant in January 2015. The drilling programme was initially targeting 200kt of LG6 ore. The Company will now commence drilling at the remainder of the Rooderand mine property in order to increase the available ore.

The lower overall recovery rate was due to low grade Sky Chrome material that was processed during the half.

Chrome ore production (rounded to '000)	Six months to 31 December 2014 (tonnes)	Six months to 30 June 2014 (tonnes)	Six months to 31 December 2013 (tonnes)
Lesedi	53,000	-	-
Sky Chrome	-	70,000	70,000
Rooderand	8,000	-	-
Total	61,000	70,000	70,000
Recovery rate (%)	54%	59%	59%

DC furnace

A bankable feasibility study ("BFS") for a 60MW DC furnace was commissioned in April 2014 and was completed during the half. The feasibility study is now being evaluated. As previously announced the DC furnace is expected to increase total ferrochrome capacity by about 42%, and at an estimated incremental cost 12% below the current cost of production.

The Company is currently assessing appropriate and prudent financing options which will protect and enhance shareholder returns.

Pacific Carbon acquisition

On 1 October 2014, the Company made an offer to acquire the assets of Pacific Carbon and Modderriver Minerals subject to certain conditions. The offer was made in conjunction with Portnex International to acquire assets consisting of 6 retorts located on Kooragang Island in Newcastle, Australia. The retorts are used to produce intermediate or retort coke which is used in ferroalloy and steel production. The due diligence has been completed and a decision made to not proceed with the acquisition. This was due to technical difficulties as well as logistic constraints.

Co-generation plant

The plant remains shut down. A chiller unit, which should reduce the load on the engine components, is scheduled to be installed during March 2015. As previously announced, it is anticipated that the Cogen plant will be restarted in Q2 of calendar 2015. The expected cost for the chiller is ZAR18 million.

At full and stable furnace production, the Cogen plant should generate approximately 10% of the Company's total electricity requirements.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

UG2 supply agreement

The Company has a supply agreement with Anglo Platinum to provide 15kt per month of UG2 chrome concentrate until 2020. This beneficial agreement delivers UG2 at a cost significantly below the Company's in-house cost of concentrate production.

The supply of UG2 accounted for 97kt during the period, compared with the contractual 90kt. Due to the protracted strike action at Anglo Platinum from February to June 2014, a backlog of UG2 ore was created, which at 31 December 2014 was approximately 91,000t. Anglo Platinum is obliged under the agreement to make up any shortfalls from future production. As Anglo Platinum makes up the shortfall, the Company will benefit from a higher supply of UG2 ore, which is a direct contributor to profitability.

The Company has increased the use to about 100% of the contractual allocation of UG2 chrome concentrate into its ore blend. This should have a positive impact on production costs.

Health and Safety, and the Environment ("HSE")

The Company had no fatalities during the half and remains fatality free since inception, representing 28.6 million fatality free man-hours which equate to 3.6 million fatality free shifts as at 31 December 2014. During the period, 8 lost time injuries occurred and the 12 month moving average lost time injury frequency increased from 1.35 at 31 December 2013 to 3.12 at 31 December 2014. The Company continues to focus on improving safety performance which is evident in the total recordable injury rate. The 12 month moving average total recordable injury rate improved further from 28.75 at 31 December 2013 to 24.95 at 31 December 2014. Added to this focus will be set on the introduction of Behavioural Based Care as a key initiative to improve personal and colleague to colleague safe operations.

FINANCIAL REVIEW

The Company reported a loss before tax of ZAR176 million for the six months ended 31 December 2014 ("the period") against a profit of ZAR10 million in the previous six months and a profit of ZAR31 million for the comparative period. The loss was mainly as a result of higher production costs and lower production volumes during the period. The loss was further increased by an impairment of ZAR26 million recognised on property, plant and equipment, a net realisable value adjustment of ZAR9 million on obsolete consumable stocks, a price adjustment of ZAR26 million on price-sensitive sales as at 31 December 2014, and an estimated ZAR30 million on the silicon carbide trials. The loss attributable to the DMR stoppage in November is still being assessed.

Analysis of loss before taxation	Six months to 31 December 2014 (ZAR millions)
Loss from normal operations *	(85)
Silicon carbide trials	(30)
Price adjustment on price-sensitive sales	(26)
Impairments	(26)
Net realisable value adjustment	(9)
Loss before taxation	(176)

* The loss from normal operations includes the loss attributable to the DMR stoppage which is still being assessed

Directors' Report (continued)

FINANCIAL REVIEW (continued)

FeCr production for the half was 98,016t compared with 116,469t in the comparative period and 111,791t in the previous period. Production volumes were negatively impacted by the planned annual routine maintenance shutdowns, the DMR stoppage during November and a series of trials to assess the viability of using silicon carbide as an alternative reductant in the smelting process.

Sales volumes were 101,700t against 112,697t for the previous six months and 109,623t for the comparative half. Sales revenue increased to ZAR1.02 billion, up 2% on the comparative period's ZAR1 billion. The increase was a result of ZAR66 million generated from ore sales during the period compared to ZAR14 million in the comparative period. FeCr inventories decreased by 4,303t between 30 June 2014 (15,288t) and 31 December 2014 (10,985t).

The European benchmark ferrochrome price for the first quarter was 119¢/lb, and decreased to 115¢/lb for the second quarter of the half. The average ferrochrome price for the half was 117¢/lb, which was 3¢/lb below the average price of the previous six months. The weakening of the South African Rand ('Rand') against the U.S. Dollar resulted in a 1% higher Rand FeCr price.

During the period a gross loss of ZAR52 million was realised compared to a gross profit of ZAR110 million during the previous half. The operating margin deteriorated from 10% in the previous half to an operating loss of 5%.

Administration and other expenses increased from ZAR65 million in the comparative period to ZAR98 million. This was primarily due to the impairment of ZAR26 million recognised on property plant and equipment, and a net realisable value adjustment on obsolete consumable stocks of ZAR9 million.

During the period the Company realised an EBITDA loss of ZAR93 million compared to a profit of ZAR112 million for the comparative period and a profit of ZAR91 million for the previous six months. The headline loss per share for the period was ZAR0.32 compared to a headline profit per share of ZAR0.06 in the comparative period.

Net borrowings increased by ZAR113 million to ZAR451 million at 31 December 2014, from ZAR338 million at 30 June 2014. The Company continues to operate within the ZAR500 million working capital facility, which was fully drawn at 31 December 2014. Operations (before working capital changes) utilised ZAR60 million, working capital generated ZAR47 million, investing activities utilised ZAR69 million and financing activities utilised ZAR31 million. Forecast capital expenditure for the second half of the year is ZAR20 million. Net borrowings are expected to range between ZAR450 million to ZAR490 million until June 2015 before reducing, as a result of the lower Benchmark price for Q1 of calendar 2015 and the expected annual Eskom increase of approximately 13% on 1 April 2015.

Production cost

FeCr production cost for the first half was ZAR8.15 per pound, in line with previous guidance. Production cost was negatively impacted by higher electricity consumption, lower production volumes and more expensive ores due to the ramp-up of mining operations at Lesedi and Rooderand. FeCr production cost is expected to decrease as operations stabilise and production volumes rise, and ore from the Company's own resources is balanced with Anglo Platinum UG2 supply. The Company expects to improve self-sufficiency of ore supply by June 2015 and both Rooderand and Lesedi are expected to produce at a cost below that of buy-in ore. Cost performance improved significantly towards the latter part of the half and this trend is expected to extend into the second half as input costs are reduced on a comparative basis.

Directors' Report (continued)

FINANCIAL REVIEW (continued)

Broad-Based Black Economic Empowerment ("BBBEE")

In April 2009, the Company lodged its proposed black economic empowerment ("BEE") transaction with the Department of Mineral Resources ("DMR"), as the final element of its previously submitted application to convert its Old Order Mining Right into a New Order Mining Right under the South African Mineral and Petroleum Resources Development Act ("MPRDA").

In July 2012, the DMR granted the conversion of the Old Order Mining Right to a New Order Mining Right. However, since the submission of the proposed BEE transaction to the DMR in 2009, there have been legislative changes, and developments within IFM which have presented an opportunity for the Company to implement a more simplified BEE transaction. The Company has therefore not executed the conversion and in February 2014 resubmitted its proposal, which aims to simplify the funding of the BEE transaction. Management is confident that the DMR will receive the application favourably and convert the mining right, whereafter the BEE transaction will be implemented without delay.

Outlook

Global economic growth is projected to be between 3.5% and 3.7% according to the latest World Economic Outlook forecast. This represents a 0.3% downward revision relative to the previous forecast on the back of a reassessment of prospects in China and the euro area. Growth prospects for the United States remain positive.

The growth numbers, translated via stainless steel to chrome demand, show that more than 1 million tonnes additional chrome ore would be required in 2015 and approximately 4.8 million tonnes by 2018. In the medium to longer term this will present a great challenge on a relatively stationary UG2 supply pool and currently mined ore, due to the lack of adequate investment in new chrome ore mining developments. The cost of investing in new mining projects will require much improved market prices. It is therefore anticipated that ferrochrome prices will be pushed up on the back of ore cost pressures to meet the required demand.

Operationally it is expected that production will increase significantly in the second half as well as a marked reduction in costs. The diversified market into which IFM sells its alloy will allow the Company to optimise the sales distribution. FeCr prices are low and parity exists between China and especially Europe. Cost pressures on producers in both China and South Africa and buoyant stainless steel growth augmented by low ore and alloy stocks bodes well for a relief in prices in the short term. Marginal producers' latent capacity will however subdue significant price increases in the short term.

IFM's strategy to ensure an uninterrupted long-term competitive ore supply for ferrochrome production, supported by an expanding regional market presence is tailored to meet the demand of the market going forward.

Directors' Report (continued)

GOING CONCERN

As at 31 December 2014, the Group had net current liabilities of ZAR254 million (30 June 2014: ZAR114 million) including the Bank of China working capital facility. As at the date of this report, the Group has drawn down ZAR500 million (30 June 2014: ZAR500 million) on the Bank of China working capital facility which is due to be repaid on 16 September 2015. It is expected that the Bank of China facility will be renewed before it expires. In addition the Group made a loss of ZAR176 million for the half year primarily due to depressed ferrochrome prices and operational issues as previously disclosed. The Directors are confident that the Group can secure additional avenues of funding which could be used together with forecast operating cash flows, to repay this facility should it not be renewed. For this reason and after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and hence, continues to adopt the going concern basis in preparing the accounts.

DIVIDENDS

The Board of Directors resolved not to declare an interim dividend for the half-year ended 31 December 2014 (30 June 2014: nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the above there were no significant changes in the state of affairs of the Company or the Group for the half-year ended 31 December 2014.

ROUNDING

The amounts contained in the half-year financial statements have been rounded to the nearest ZAR1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the Auditor's Independence Declaration from our auditor, Ernst & Young, which immediately follows this Directors report.

Signed in accordance with a resolution of the Directors.

Jordaan

Chris Jordaan
Chief Executive Officer
Sydney,
23 February 2015

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Auditor's Independence Declaration to the Directors of International Ferro Metals Limited

In relation to our review of the financial report of International Ferro Metals Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ryan Fisk
Partner
Sydney
23 February 2015

Consolidated Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

		Consolidated	
	Note	31 Dec 2014 ZAR'000	31 Dec 2013 ZAR'000
Sales revenue	3	1,021,576	1,002,923
Cost of goods sold		(1,073,797)	(882,255)
Gross (loss)/profit		(52,221)	120,668
Other (expenses)/income			
Other income		3,845	115
Administrative and other expenses	4	(97,900)	(64,804)
Foreign exchange gain		8,642	9,058
Share based payment expense	5	(715)	(2,567)
Net (loss)/profit before interest and tax		(138,349)	62,470
Finance income		37	808
Finance costs		(37,290)	(32,294)
Net (loss)/profit before tax		(175,602)	30,984
Income taxation credit		-	1,311
Net (loss)/profit after tax		(175,602)	32,295
Attributable to:			
Non-controlling interest		(816)	(452)
Owners of the parent		(174,786)	32,747
		(175,602)	32,295
Earnings per share (cents per share)			
- basic (loss)/earnings per share	6	(31.55)	5.91
- diluted (loss)/earnings per share	6	(31.55)	5.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	31 Dec 2014 ZAR'000	31 Dec 2013 ZAR'000
(Loss)/profit for the period	(175,602)	32,295
Total comprehensive income for the period, net of tax	(175,602)	32,295
Attributable to:		
Non-controlling interests	(816)	(452)
Owners of the parent	(174,786)	32,747
	(175,602)	32,295

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Contributed equity ZAR'000	Accumulated losses ZAR'000	Share Based payment reserve ZAR'000	Non-distributable reserve ZAR'000	Non-controlling Interest ZAR'000	Total Equity ZAR'000
At 1 July 2013	3,088,240	(886,722)	19,179	(6,044)	(3,606)	2,211,047
Profit for the period	-	32,747	-	-	(452)	32,295
Total comprehensive income for the period						
Equity Transactions:						
Share-based payment transactions	-	-	2,521	-	-	2,521
Foreign currency translation	-	-	108	-	-	108
At 31 December 2013	3,088,240	(853,975)	21,808	(6,044)	(4,058)	2,245,971
At 1 January 2014	3,088,240	(853,975)	21,808	(6,044)	(4,058)	2,245,971
Profit for the period	-	11,083	-	-	(213)	10,870
Total comprehensive income for the period						
Equity Transactions:						
Share-based payment transactions	-	-	(438)	-	-	(438)
At 30 June 2014	**3,088,240**	**(842,892)**	**21,370**	**(6,044)**	**(4,271)**	**2,256,403**
At 1 July 2014	**3,088,240**	**(842,892)**	**21,370**	**(6,044)**	**(4,271)**	**2,256,403**
Loss for the period	-	(174,786)	-	-	(816)	(175,602)
Total comprehensive income for the period						
Equity Transactions:						
Share-based payment transactions	-	-	1,049	-	-	1,049
Share buy-back - subsidiary (note 15)	-	(6,071)	-	-	1,821	(4,250)
At 31 December 2014	**3,088,240**	**(1,023,749)**	**22,419**	**(6,044)**	**(3,266)**	**2,077,600**

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2014

		Consolidated	
	Note	**31 Dec 2014 ZAR'000**	**30 June 2014 ZAR'000**
ASSETS			
Current assets			
Cash and cash equivalents		48,858	162,275
Trade and other receivables	7	166,149	169,386
Prepayments		12,454	29,036
Inventories	8	335,946	370,054
Total current assets		563,407	730,751
Non-current assets			
Deferred tax asset	9	235,081	235,081
Financial investments		118,978	101,145
Property, plant & equipment	10	2,010,918	2,045,135
Intangible assets	11	126,585	136,699
Other non-current assets	12	4,889	9,866
Total non-current assets		2,496,451	2,527,926
Total assets		3,059,858	3,258,677
EQUITY & LIABILITIES			
Current liabilities			
Trade and other payables		281,392	294,445
Provisions		27,785	37,612
Interest bearing loans and borrowings	13	508,636	506,429
Total current liabilities		817,813	838,486
Non-current liabilities			
Provisions		106,828	103,063
Interest bearing loans and borrowings	13	57,617	60,725
Total non-current liabilities		164,445	163,788
Total liabilities		982,258	1,002,274
Net assets		2,077,600	2,256,403
Shareholder's equity			
Contributed equity	14	3,088,240	3,088,240
Share based payment reserve		22,419	21,370
Accumulated losses	15	(1,023,749)	(842,892)
Non-distributable reserve		(6,044)	(6,044)
Parent entity interests		2,080,866	2,260,674
Non-controlling interests		(3,266)	(4,271)
Total shareholders' equity		2,077,600	2,256,403

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Consolidated	
	31 Dec 2014 ZAR'000	31 Dec 2013 ZAR'000
Cash flows from operating activities		
Receipts from customers	1,037,016	965,690
Payments and advances to suppliers and employees (inclusive of goods and services tax)	(1,047,497)	(939,921)
Interest paid	(2,893)	(1,491)
Net cash flows (utilised in)/ from operating activities	(13,374)	24,278
Cash flows from investing activities		
Payments for property, plant & equipment	(57,920)	(12,346)
Additional investments	(10,862)	(11,677)
Interest received	37	808
Net cash flows utilised in investing activities	(68,745)	(23,215)
Cash flows from financing activities		
Repayment of borrowings	(7,347)	(833)
Payment of finance costs	(23,951)	(19,213)
Net cash flows utilised in financing activities	(31,298)	(20,046)
Net decrease in cash held	(113,417)	(18,983)
Cash at the beginning of the financial period	162,275	137,509
Effects of exchange rate changes on cash	-	9,064
Cash and cash equivalents at the end of the period	48,858	127,590

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1. CORPORATE INFORMATION

The financial statements of International Ferro Metals Limited (the Company) for the half year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 23 February 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with AASB 134 "*Interim Financial Reporting*" and the Corporations Act 2001. The financial report has also been prepared on an historical cost basis, except for certain financial instruments which have been measured at fair value. The principal accounting policies used by the Company comply with International Financial Reporting Standards (IFRS).

These half-year financial statements do not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. These half-year financial statements should be read in conjunction with the Annual Report of International Ferro Metals Limited as at 30 June 2014.

It is also recommended that the half-year financial statements be considered together with any public announcements made by International Ferro Metals Limited and its controlled entities during the half-year ended 31 December 2014 and up to the issue date of this report, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report except for the adoption of new and revised Accounting Standards listed under (c).

(b) Basis of accounting

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

These financial statements are presented in South African Rand and all values are rounded to the nearest thousand Rand (ZAR'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

In the application of IFRS, management is required to make judgements, estimates, and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements. Actual results may differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable in the relevant notes to the financial statements.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

(c) Significant accounting policies

Except as described below, the accounting policies applied by the Group in this consolidated condensed interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2014.

Changes in accounting policy and disclosures

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2014:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]
- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by International Ferro Metals Limited (IFM) at the end of the reporting period. The Company and its controlled entities together are referred to as the Group. The effects of all transactions between entities in the Group are eliminated in full. Outside equity interest in the results and equity of controlled entities are shown separately in the Consolidated Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Financial Position respectively.

Where control of an entity is obtained during a financial period, its results are included in the consolidated Income Statement from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

(e) Going Concern

As at 31 December 2014, the Group had net current liabilities of ZAR254 million (30 June 2014: ZAR114 million) including the Bank of China working capital facility. As at the date of this report, the Group has drawn down ZAR500 million (30 June 2014: ZAR500 million) on the Bank of China working capital facility which is due to be repaid on 16 September 2015. It is expected that the Bank of China facility will be renewed before it expires. In addition the Group made a loss of ZAR176 million for the half year primarily due to depressed ferrochrome prices and operational issues as previously disclosed. The Directors are confident that the Group can secure additional avenues of funding which could be used together with forecast operating cash flows, to repay this facility should it not be renewed. For this reason and after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and hence, continues to adopt the going concern basis in preparing the accounts.

3. SEGMENT INFORMATION

<u>Identification of reportable segments.</u>

The Group has determined operating segments based on the information provided to the Board of Directors (Chief Operating Decision Maker).

The Group operates predominately in one business segment, being the mining and processing of chromite in South Africa and sale of ferrochrome. There is no material difference between the financial information presented to the Chief Operating Decision Maker and the financial information presented in this report.

<u>Sales revenue by geographic location</u>

Revenue obtained from external customers is attributed to individual countries based on the location of the customer.

	Consolidated	
	31 Dec 2014 ZAR'000	31 Dec 2013 ZAR'000
Ferrochrome sales		
China	154,378	320,516
Europe	423,109	411,265
India	130,200	19,219
South Africa	26,434	103,708
South Korea	20,249	19,443
United States of America	201,061	114,606
Total ferrochrome sales	**955,431**	**988,757**
Chrome ore sales		
South Africa	47,932	14,166
China	18,213	-
Total chrome ore sales	**66,145**	**14,166**
Total external revenue	**1,021,576**	**1,002,923**

Major customers

The Group received 57% of its external revenue from China and Europe (2013: 73%). During the half year ended 31 December 2014 the Group received 61% (2013: 52%) of its external revenue from CMC Cometals and 15% (2013: 32%) from Jiuquan Iron & Steel Group Company Ltd (JISCO). During the current period sales to Jindal increased to 13% (2013: 2%) of external revenue, as a result of market diversification.

There are no additional customers which account for more than 10% of the Group's external revenues.

Notes to the Financial Statements (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

4. ADMINISTRATIVE AND OTHER EXPENSES

	Consolidated	
	31 Dec 2014 ZAR'000	31 Dec 2013 ZAR'000
Unabsorbed fixed costs (a)	19,955	18,397
Impairment of assets (b)	25,792	-
Net realisable value adjustment of inventory (c)	9,060	-
Other administrative expenses	43,093	46,407
	97,900	**64,804**

a) The unabsorbed fixed costs relate to Sky Chrome mining costs as no ore was produced during the period, furnace standing charges during the maintenance performed during August, Cogeneration plant costs as the plant was shut during the period and fixed costs relating to the shut-down of the pelletiser and sinter plant during the steel belt replacement.
b) The impairment on assets relate to the Cogeneration plant engines (ZAR13,773), furnace annual shut-down (ZAR5,117) and capital work in progress items (ZAR6,902).
c) The net realisable value adjustment relates to consumable store items that were adjusted to their net realisable value.

5. SHARE-BASED PAYMENT EXPENSE

	Consolidated	
	31 Dec 2014 ZAR'000	31 Dec 2013 ZAR'000
Phantom option (income)/expense	(325)	46
Share-based payment expense (a)	1,040	2,521
	715	**2,567**

(a) Share-based payment expense relates to the performance rights and share options issued to Mr Chris Jordaan, as well as the Performance share scheme introduced and implemented to replace the existing phantom option scheme where employees are issued with fully paid-up physical shares in the Company. Please refer to the Company's Annual Report at 30 June 2014 for further details.

6. EARNINGS/(LOSS) PER SHARE

	Consolidated	
	31 Dec 2014	31 Dec 2013
Basic (loss)/earnings per share (cents per share)	(31.55)	5.91
Diluted (loss)/earnings per share (cents per share)	(31.55)	5.91
(Loss)/earnings (used in calculating basic earnings/(loss) per share (ZAR'000)	(174,786)	32,747
Weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share	554,008,047	554,008,047
Weighted average number of ordinary shares used in the calculation of diluted (loss)/earnings per share	[a]554,008,047	554,158,066

a. Due to the reported loss per share, the additional rights issued are anti-dilutive and hence have not been incorporated in the calculation of diluted earnings per share and the calculation of weighted average number of ordinary shares.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

7. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2014 ZAR'000	30 June 2014 ZAR'000
Trade debtors (a)	145,007	140,186
Outstanding tax refunds	17,290	27,668
Other debtors (b)	3,852	1,532
	166,149	**169,386**

(a) Trade debtors relate to the sale of ferrochrome and chrome ore. Payment terms are thirty days from date of final invoice.
(b) Other debtors mainly relate to income receivable from Eskom due for demand management participation.

8. INVENTORIES

	Consolidated	
	31 Dec 2014 ZAR'000	30 June 2014 ZAR'000
Consumable stores at cost or net realisable value [a]	67,345	47,632
Ore stock at cost or net realisable value	121,704	137,704
Raw materials at cost or net realisable value	49,752	55,503
Finished goods at cost or net realisable value	97,145	129,215
	335,946	**370,054**

Cost of sales reflects the amount of inventory expensed for the year.

(a) A net realisable value adjustment of ZAR9,060 was recognised on consumable stores during the period.

9. DEFERRED TAX ASSET

The Group has recognised a deferred tax asset as it is considered probable that it will be recovered through future taxable profits based on the current forecasts. Refer to the 30 June 2014 Annual Report for more detail on the deferred tax asset.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

10. PROPERTY, PLANT & EQUIPMENT

	Consolidated		
31 December 2014	Cost ZAR'000	Accumulated depreciation ZAR'000	Net book value ZAR'000
Mineral rights and reserves [(a)]	157,287	(9,441)	147,846
Land and buildings	64,239	(7,574)	56,665
Decommissioning asset	54,894	(7,612)	47,282
Plant & equipment	1,662,309	(410,155)	1,252,154
Leased plant & equipment	101,960	(21,752)	80,208
Mine development	415,308	(83,464)	331,844
Computer equipment	23,062	(8,274)	14,788
Furniture & fittings	4,509	(3,853)	656
Capital work in progress [(b)]	77,459	-	77,459
Vehicles	10,117	(9,343)	774
Leased vehicles	10,650	(9,408)	1,242
Total	**2,581,794**	**(570,876)**	**2,010,918**

	Consolidated					
31 December 2014	Carrying value at beginning of year ZAR'000	Disposals[(c)] ZAR'000	Adjustments[(d)] ZAR'000	Additions ZAR'000	Depreciation ZAR'000	Carrying value at end of period ZAR'000
Mineral rights and reserves [(a)]	147,846	-	-	-	-	147,846
Land and buildings	55,919	-	-	1,514	(768)	56,665
Decommissioning asset	47,540	-	705	-	(963)	47,282
Plant & equipment	1,290,759	-	(25,792)	17,073	(29,886)	1,252,154
Leased plant & equipment	82,942	-	-	-	(2,734)	80,208
Mine development	339,937	-	-	-	(8,093)	331,844
Computer equipment	14,799	-	-	1,851	(1,862)	14,788
Furniture & fittings	707	-	-	22	(73)	656
Capital work in progress [(b)]	62,325	(21,895)	(258)	37,287	-	77,459
Vehicles	768	(14)	-	211	(191)	774
Leased vehicles	1,593	-	-	-	(351)	1,242
Total	**2,045,135**	**(21,909)**	**(25,345)**	**57,958**	**(44,921)**	**2,010,918**

(a) Mineral rights and reserves of ZAR61 million relating to the Sky Chrome deposit is held in Purity Metals Holdings Limited ("Purity"), a wholly owned subsidiary of the Group.
(b) Capital work in progress relates to capital costs incurred for the expansion of the Group's associated infrastructure
(c) The disposals relate to items previously capitalised that were reclassified to consumable stores stock.
(d) The adjustment on plant and equipment relates to the impairment recognised on the cogeneration plant engines (ZAR13,773), furnace annual shut-down (ZAR5,117) and on capital work in progress items (ZAR6,902).

Property, mineral rights and plant and equipment of IFMSA have been pledged as security for the working capital facility provided by Bank of China. The carrying value of this property, mineral rights and plant and equipment at 31 December 2014 is ZAR1.86 billion (30 June 2014: ZAR1.89 billion).

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

10. PROPERTY, PLANT & EQUIPMENT (continued)

	Consolidated		
30 June 2014	Cost ZAR'000	Accumulated depreciation ZAR'000	Net book value ZAR'000
Mineral rights and reserves [(a)]	157,287	(9,441)	147,846
Land and buildings	62,725	(6,806)	55,919
Decommissioning asset	54,188	(6,648)	47,540
Plant & equipment	1,679,600	(388,841)	1,290,759
Leased plant & equipment	101,960	(19,018)	82,942
Mine development	415,309	(75,372)	339,937
Computer equipment	21,204	(6,405)	14,799
Furniture & fittings	4,487	(3,780)	707
Capital work in progress [(b)]	62,325	-	62,325
Vehicles	10,694	(9,926)	768
Leased vehicles	10,650	(9,057)	1,593
Total	**2,580,429**	**(535,294)**	**2,045,135**

	Consolidated					
30 June 2014	Carrying value at beginning of year ZAR'000	Disposals ZAR'000	Adjustments[(d)] ZAR'000	Additions ZAR'000	Depreciation ZAR'000	Carrying value at end of year ZAR'000
Mineral rights and reserves [(a)]	147,975	-	-	-	(129)	147,846
Land and buildings	56,527	-	600	280	(1,488)	55,919
Decommissioning asset	48,552	-	848	-	(1,860)	47,540
Plant & equipment	1,362,367	(6,226)	1,248	5,788	(72,418)	1,290,759
Leased plant & equipment	74,042	-	10,513	-	(1,613)	82,942
Mine development	355,833	-	686	-	(16,582)	339,937
Computer equipment	3,373	(135)	13,434	51	(1,924)	14,799
Furniture & fittings	861	-	-	43	(197)	707
Capital work in progress [(b)]	59,933	-	(26,481)	28,873	-	62,325
Vehicles	1,523	(218)	-	-	(537)	768
Leased vehicles	2,296	-	-	-	(703)	1,593
Total	**2,113,282**	**(6,579)**	**848**	**35,035**	**(97,451)**	**2,045,135**

11. INTANGIBLE ASSETS

	Consolidated		
	Licence fees [a] ZAR'000	UG2 asset [b] ZAR'000	Total ZAR'000
30 June 2014			
At 1 July 2013 net of accumulated amortisation	8,618	136,916	145,534
Amortisation	(362)	(8,473)	(8,835)
At 30 June 2014 net of accumulated amortisation	**8,256**	**128,443**	**136,699**
Cost (gross carrying amount)	10,837	161,000	171,837
Accumulated amortisation	(2,581)	(32,557)	(35,138)
Net carrying amount at 30 June 2014	**8,256**	**128,443**	**136,699**

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

11. INTANGIBLE ASSETS (continued)

	Consolidated		
	Licence fees [a] ZAR'000	UG2 asset [b] ZAR'000	Total ZAR'000
31 December 2014			
At 1 July 2014 net of accumulated amortisation	8,256	128,443	136,699
Additions	-	-	-
Amortisation	(181)	(9,933)	(10,114)
At 31 December 2014 net of accumulated amortisation	**8,075**	**118,510**	**126,585**
Cost (gross carrying amount)	10,837	161,000	171,837
Accumulated amortisation	(2,762)	(42,490)	(45,252)
Net carrying amount	**8,075**	**118,510**	**126,585**

a) Licence fees relate to the fees paid for the use of patented technology and is amortised over the life of the plant.

b) The UG2 Chrome Retreatment Plant (CRP) at RPM's Waterval operation in Rustenburg. The supply agreement entitles IFM to receive 15,000 tonnes per month of chrome concentrate until November 2020. This intangible is amortised to inventory with the quantities received.

12. OTHER NON-CURRENT ASSETS

	Consolidated	
	31 Dec 2014 ZAR'000	30 June 2014 ZAR'000
Restricted cash (a)	712	5,631
Deposits	4,177	4,235
	4,889	**9,866**

a) Restricted cash represents cash set aside for bank guarantees provided by Standard Bank to the Department of Minerals Resources for environmental rehabilitation and cash set aside for foreign exchange contracts by Bank of China. During the period the restricted cash at Bank of China was released.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

13. INTEREST-BEARING LOANS AND BORROWINGS

	Consolidated	
	31 Dec 2014 ZAR'000	30 June 2014 ZAR'000
Current interest-bearing loans and borrowings		
Bank debt (a)	500,000	500,000
Debt establishment costs and accrued interest (a)	1,564	(643)
Other loans (b)	7,072	7,072
	508,636	**506,429**
Non-current interest bearing loans and borrowings		
Long-term portion of finance lease liability (c)	57,617	60,725
	57,617	**60,725**

(a) Working capital facility
International Ferro Metals SA (Pty) Ltd (IFMSA) rolled forward the working capital facility agreement with Bank of China for an amount of R500 million on 16 September 2014. The term of the facility is 12 months and expires on 16 September 2015. The facility interest is charged at JIBAR rate plus 3.85%. The parent company, IFML, guarantees the facility on behalf of IFMSA. The entire statement of financial position of IFMSA is pledged as collateral for the loan facility. Bank of China has the option to cancel the loan facility and call upon any balance outstanding in the event of a material deterioration in the financial position of IFMSA.

(b) Other loans constitute the 20% community participation of funding provided to Sky Chrome (Pty) Ltd by the group. The loan is interest free and payable on demand before earning distributions are made.

(c) The weighted average effective interest rate on finance leases is 10.78%.

14. CONTRIBUTED EQUITY

	Consolidated	
	31 Dec 2014 ZAR'000	30 June 2014 ZAR'000
Movement in ordinary shares in issue		
Opening balance	3,088,240	3,088,240
Issue of ordinary shares	-	-
Share placement costs	-	-
Closing balance	**3,088,240**	**3,088,240**
	Shares	**Shares**
Opening balance	554,008,047	554,008,047
Issue of ordinary shares	-	-
Closing balance	**554,008,047**	**554,008,047**

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

15. ACCUMULATED LOSSES

	Consolidated	
	31 Dec 2014 ZAR'000	30 June 2014 ZAR'000
Opening balance	(842,892)	(886,722)
After tax (loss)/profit attributable to the equity holders of the parent during the year	(174,786)	43,830
Share buy-back - subsidiary[(a)]	(6,071)	-
Closing balance	**(1,023,749)**	**(842,892)**

(a) During the period under review International Ferro Metals SA (Pty) Ltd (IFMSA) repurchased the 0.0625% shareholding that Global Eagle Minerals and Beneficiation Pty Ltd held in IFMSA. These shares were cancelled.

16. DIVIDENDS

The Board of Directors resolved not to declare an interim dividend for the half year ended 31 December 2014 (30 June 2014: nil).

17. CAPITAL COMMITMENTS

Capital commitments outstanding as at 31 December 2014 amounts to ZAR24 million.

18. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities outstanding or recorded at 31 December 2014.

Notes to the Financial Statements (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

19. FINANCIAL RISK MANAGEMENT AND OBJECTIVES

The Group's overall financial risk management strategy is to seek to ensure that the Group is able to fund its business operations and expansion plans.

Exposure to foreign currency risk, interest rate risk, commodity price risk, credit risk, liquidity risk and share price risk arises in the normal course of the Group's business. Derivative financial instruments may be used to hedge exposure to fluctuations in foreign exchange rates, interest rates, and commodity prices. During the period under review the Group entered into certain forward exchange contracts ("FEC") in order to hedge against fluctuating exchange rates.

The following table displays the financial instruments held at 31 December 2014:

Financial Assets and Liabilities (including leases) by categories

	Consolidated					
At 31 December 2014	Loans and receivables ZAR'000	Held to maturity investments ZAR'000	At fair value through profit & loss ZAR'000	Financial liabilities measured at amortised cost ZAR'000	Other financial assets and liabilities ZAR '000	Total ZAR'000
Recognised Financial Assets						
Cash & Cash equivalents	33,636	-	-	-	15,222	48,858
Trade and other receivables (note 7)	166,149	-	-	-	-	166,149
Deposits (note 12)	4,177	-	-	-	-	4,177
Restricted cash (note 12)	-	712	-	-	-	712
Other financial investments	-	-	118,978[1]	-	-	118,978
Total recognised financial assets	**203,962**	**712**	**118,978**	**-**	**15,222**	**338,874**
Recognised Financial Liabilities						
Trade and other payables	-	-	-	(281,392)	-	(281,392)
Interest bearing liabilities (note 13)	-	-	-	(566,253)	-	(566,253)
Total recognised financial liabilities	**-**	**-**	**-**	**(847,645)**	**-**	**(847,645)**
Unrecognised Financial Liabilities						
Un-drawn loan facilities (note 13)	-	-	-	-	-	-
Total unrecognised financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**

[1] These financial assets consist of investment portfolios which are managed by various financial institutions. The fair value of these financial instruments has been estimated by the financial institutions using a variety of valuation techniques. These financial instruments are classified as a level 2 in the fair value hierarchy as their fair values have been estimated using inputs other than quoted prices that are observable for the assets, either directly or indirectly.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

19. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

Financial Assets and Liabilities (including leases) by categories

	Consolidated					
At 30 June 2014	Loans and receivables ZAR'000	Held to maturity investments ZAR'000	At fair value through profit & loss ZAR'000	Financial liabilities measured at amortised cost ZAR'000	Other financial assets and liabilities ZAR '000	Total ZAR'000
Recognised Financial Assets						
Cash & Cash equivalents	143,813	-	-	-	18,462	162,275
Trade and other receivables (note 7)	169,386	-	-	-	-	169,386
Deposits (note 12)	4,235	-	-	-	-	4,235
Restricted cash (note 12)	-	5,631	-	-	-	5,631
Other financial investments	-	-	101,145[1]	-	-	101,145
Total recognised financial assets	**317,434**	**5,631**	**101,145**	**-**	**18,462**	**442,672**
Recognised Financial Liabilities						
Trade and other payables	-	-	-	(294,445)	-	(294,445)
Interest bearing liabilities (note 13)	-	-	-	(567,154)	-	(567,154)
Total recognised financial liabilities	**-**	**-**	**-**	**(861,599)**	**-**	**(861,599)**
Unrecognised Financial Liabilities						
Un-drawn loan facilities (note 13)	-	-	-	-	-	-
Total unrecognised financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**

[1] These financial assets consist of investment in various funds which are managed by various financial institutions. The fair value of these financial instruments has been estimated by the financial institutions using a variety of valuation techniques. These financial instruments are classified as a level 2 in the fair value hierarchy as their fair values have been estimated using inputs other than quoted prices that are observable for the assets, either directly or indirectly.

For all feasibility assessments including expansion planning, raising of debt funding, evaluation of acquisition opportunities and corporate strategy, the Group uses various methods to measure the types of risk to which it is exposed. These methods include cash flow forecasting, sensitivity and breakeven analysis. The Group performs an ageing analysis for credit risk.

Treasury risk management is carried out by a central treasury function under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

19. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

(i) Foreign currency risk

Foreign exchange risk arises from commercial transactions and recognised assets and liabilities that are denominated in currencies other than the functional currency of each entity in the Group, which is South African Rand (ZAR). In order to hedge this foreign currency risk, the Group may enter into forward foreign exchange contracts ("FEC"), foreign currency swaps and foreign currency option contracts. During the period the Group entered into FECs in order to hedge against the fluctuations of the ZAR against the USD. The details of the FECs are as follows:

31 Dec 2014		ZAR'000	ZAR'000
FEC Value – USD	FEC RATE	Realised (Loss) on FEC	Unrealised Profit FEC
US$51,200,000	ZAR/USD11.04	(3,005)	Nil
30 June 2014		ZAR'000	ZAR'000
FEC Value – USD	FEC RATE	Realised Profit on FEC	Unrealised Profit FEC
US$77,000,000	ZAR/USD10.61	4,704	Nil

The above forward exchange contracts were used to manage transactional exposure and were not classified as cash flow, fair value or net investment hedges and are entered into for periods consistent with the currency transaction exposure. These derivatives do not qualify for hedge accounting and therefore profits and or losses resulting from the transactions were accounted for in the income statement with other foreign exchange movements.

The following table represent the financial assets and liabilities denominated in foreign currencies:

	Consolidated					
	Foreign currency amount		Amount in ZAR		Rate of exchange	
	31 Dec 2014 ZAR'000	30 June 2014 ZAR'000	31 Dec 2014 ZAR'000	30 June 2014 ZAR'000	31 Dec 2014	30 June 2014
<u>Financial Assets</u>						
Cash and cash equivalents						
- US Dollar	2,721	7,601	31,480	80,430	ZAR/US$11.57	ZAR/US$10.58
- Euro	6	7	91	96	ZAR/€14.00	ZAR/€14.44
- GB pounds	37	78	671	1,409	ZAR/£18.03	ZAR/£18.02
- AU Dollar	84	311	791	3,105	ZAR/A$9.45	ZAR/A$9.97
Trade and other receivables						
- US Dollar	8,905	12,865	103,032	136,124	ZAR/US$11.57	ZAR/US$10.58
- AU Dollar	25	28	240	282	ZAR/A$9.45	ZAR/A$9.97
<u>Financial Liabilities</u>						
Trade and other payables						
- GB pounds	17	21	299	386	ZAR/£18.03	ZAR/£18.02
- AU Dollar	122	42	1,153	424	ZAR/A$9.45	ZAR/A$9.97

The Group had no foreign currency borrowings at year end (30 June 2014: nil).

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

19. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

(i) Foreign currency risk

The following table demonstrates the estimated sensitivity to a 10% increase and decrease in the different exchange rates the Group is exposed to, with all other variables held constant, on a pre-tax basis and on equity.

	Consolidated	
Pre-Tax Profit Higher/(lower)	31 Dec 2014 ZAR'000	30 June 2014 ZAR'000
ZAR/USD +10%	13,451	21,653
ZAR/USD - 10%	(13,451)	(21,653)
ZAR/EUR +10%	9	10
ZAR/EUR - 10%	(9)	(10)
ZAR/GBP + 10%	97	180
ZAR/GBP - 10%	(97)	(180)
ZAR/AUD + 10%	218	381
ZAR/AUD - 10%	(218)	(381)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group is exposed to interest rate movement through variable rate debt and interest bearing investment of surplus funds. Other than for finance leases, the Group has no undrawn borrowing facilities at the half year ended 31 December 2014 (30 June 2014: nil).

The following table sets out the variable interest bearing and fixed interest bearing financial instruments of the Group:

	Consolidated			
	31 Dec 2014		30 June 2014	
	Variable Interest ZAR'000	Fixed Interest ZAR'000	Variable Interest ZAR'000	Fixed Interest ZAR'000
Financial Assets				
Cash equivalents	48,858	-	162,275	-
Other non-current assets (note 12)	4,177	712	4,235	5,631
Financial Liabilities				
Interest bearing liabilities (note 13)	(501,564)	(63,847)	(499,357)	(66,810)
Total	**(448,529)**	**(63,135)**	**(332,847)**	**(61,179)**

Consolidated

The following table demonstrates the estimated sensitivity to a 1% increase and decrease in the interest rate the Group is exposed to, with all other variables held constant, on a pre-tax basis and on equity.

	Higher/(Lower)	
	31 Dec 2014 ZAR'000	30 June 2014 ZAR'000
Interest rates +1%	4,485	3,328
Interest rates -1%	(4,485)	(3,328)

The Company rolled forward the working capital facility agreement with Bank of China for an amount of R500 million. Since draw down of the funds commenced, the Group has maintained an interest rate structure which reduces the impact of rapidly increasing interest rates on projects. This has been done by alternating between one and three months JIBAR roll forward. This decision is reviewed at each treasury committee meeting.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

19. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

(iii) Commodity price risk exposure

The Group is exposed to the risk of fluctuations in prevailing market commodity prices of ferrochrome and coke. The price of ferrochrome has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Group’s control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of ferrochrome, and therefore the financial performance of the Group cannot accurately be predicted. However, the Group may enter into ferrochrome option contracts to manage its commodity price risk. To date these contracts have not been easily accessible and the Group has not entered into any of these agreements. The final trade receivables balance, where applicable, is adjusted to take into account any movements in the ferrochrome price.

(iv) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, deposits and financial instruments held by third parties. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. Due to the global demise in large reputable companies the group has made use of bank issued Letters of Credit and has discounted certain of its debtors. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. A provision for doubtful debts is made when there is objective evidence that the company will not be able to collect the debts. Doubtful debts are written off to the income statement. To date the Group has not been required to write off any significant debts.

Trade Receivables

IFMSA has an off-take agreement with JISCO, the largest steel maker in Northwest China. Under the terms of the agreement entered into in June 2005, JISCO agreed to purchase at least 120,000 tpa of ferrochrome on a take-or-pay basis at a market related price dependant on IFM’s sales to Europe. JISCO also agreed to act as agent for IFMSA to market ferrochrome in China, Taiwan, Japan and Korea.

In addition, IFMSA has a further off-take agreement with CMC Cometals, a division of Commercial Metals Company (“CMC”) to purchase 30,000 tpa of ferrochrome, as well as 20,000 tpa of ferrochrome fines, on a take-or-pay basis at a market related price. In addition, CMC acts as an exclusive agent selling the remainder of the Group’s ferrochrome production outside JISCO’s territories as identified above.

As a result of the off-take agreements most of the Group’s trade receivables relate to sales made to JISCO and Co-Metals, presenting a counterparty concentration of risk. JISCO is a Chinese state owned company and CMC is a New York Stock Exchange listed metals trader with a market capitalisation of approximately US$1.7 billion. IFMSA has the option of receiving a provisional payment from its offtake partners of up to 90% of the value of each shipment within 15 working days of any shipment. This provisional payment accrues interest by IFMSA. The balance due, which is payable up to six months later, is jointly determined by the offtake partners and IFMSA, based on actual prices, costs and factors that affect the landed price of each shipment. The Group does not hold any credit derivatives to offset its credit exposure, other than Letters of Credit. No impairment was recognised as the group considers the offtake partners to be in a sound financial position. There are no receivables past due and considered impaired.

Cash and Investments

The credit risk policy aims to ensure that the organisation is adequately protected against settlement risk for cash, investments and derivatives by transacting with reputable financial institutions with a minimum Fitch Ratings International long term credit rating of A (or equivalent S&P or Moody’s rating) and where applicable, within stated limits. It is noted that the group is not envisaged to hold large cash balances for extended periods of time. At the reporting date, cash deposits were spread amongst a number of financial institutions to minimise the risk of default by counterparties.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

19. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

(iv) Credit risk (continued)

Other receivables

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

The following table sets out the financial assets that are exposed to credit risk:

	Consolidated	
	31 Dec 2014 ZAR'000	30 June 2014 ZAR'000
Financial Assets		
Cash & Cash equivalents	48,858	162,275
Receivables	166,149	169,386
Restricted cash and investments	123,867	111,011
Total	**338,874**	**442,672**

Set out below is an ageing analysis on the Group's Trade Receivables:

	Consolidated					
	Total ZAR'000	0-30 days ZAR'000	31-60 days ZAR'000	61-90 days ZAR'000	91-120 days PDNI ZAR'000	120-150 PDNI ZAR'000
31 Dec 2014	**145,007**	**74,550**	**12,896**	**9,899**	**16,089**	**31,573**
30 June 2014	140,186	70,681	10,185	12,662	11,986	34,672

* Past due not impaired ('PDNI')

None of the consolidated or parent trade and other receivables are considered past due or impaired.

Credit terms for customers and agents are 30 days from the date of the final invoice. The final invoice is issued once the product is received (average time between product being delivered FOB and to time received by customer is between 3-4 months) and final specification agreed by the customer. Debtors' sales are recognised, in accordance with AASB 118 "Revenue", when risks and rewards transfer. The long shipment lead time between BOL date and final invoice date may move certain debtors into the PDNI category. Sales are recognised on "Free On Board" or "at-port".

(v) Liquidity Risk

Liquidity risk is the risk that there will be inadequate funds available to meet financial commitments as they fall due. The Group recognises the ongoing requirement to have committed funds in place to cover both existing business cash flows and reasonable headroom for cyclical debt fluctuations, and capital expenditure programmes. The key funding objective is to ensure the availability of flexible and competitively priced funding from alternative sources to meet the Group's current and future requirements. The Group utilises a detailed cash flow model to manage its liquidity risk.

The Group attempts to accurately project the sources and uses of funds, whereby a framework for decision making is established which increases the effectiveness and efficiency with which the treasury function operates.

The Group's approach is to develop long term relationships with a core group of quality banks. The benefit of this approach is to establish a high degree of confidence and commitment between the parties so that banks are prepared to meet funding requirements at crucial times and at short notice.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

19. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (continued)

(v) Liquidity Risk (continued)

The table below summarises the maturity profile of the Group's contractual cash flow financial liabilities at 31 December 2014 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

Consolidated						
Liabilities 31 Dec 2014	On demand ZAR'000	Less than 3 months ZAR'000	3 to 12 months ZAR'000	1 to 5 years ZAR'000	Over 5 years ZAR'000	Total ZAR'000
Trade and other payables	-	275,161	-	-	-	275,161
Finance Leases	-	3,358	9,876	33,913	88,925	136,072
Loans	7,072	-	500,000	-	-	507,072
Total Liabilities	**7,072**	**278,519**	**509,876**	**33,913**	**88,925**	**918,305**

Consolidated						
Liabilities 30 June 2014	On demand ZAR'000	Less than 3 months ZAR'000	3 to 12 months ZAR'000	1 to 5 years ZAR'000	Over 5 years ZAR'000	Total ZAR'000
Trade and other payables	-	288,360	-	-	-	288,360
Finance Leases	-	3,358	10,057	36,743	92,628	142,786
Loans	7,072	500,000	-	-	-	507,072
Total Liabilities	**7,072**	**791,718**	**10,057**	**36,743**	**92,628**	**938,218**

20. RELATED PARTY TRANSACTIONS

Loans to Directors and Director-related entities

No loans have been granted to Directors and/or Director-related entities.

The community royalty accrued at end of the period amounted to ZAR0.5 million (30 June 2014: ZAR0.5 million).

Related party transactions exist between the companies within the Group. Refer to the 30 June 2014 Annual Report for more detail on the companies in the group.

Jiuquan Iron and Steel Group Company (JISCO) own 29.10% (December 2013: 29.10%) of the Parent company's shares. Sales made to JISCO totalled 15,607 tonnes (December 2013: 33,638 tonnes) and were made in terms of the off-take agreement which was entered into at arm's length. The value of sales made to JISCO during the period amounted to ZAR154 million (December 2013: ZAR321 million). No amount is outstanding at the end of December 2014 (December 2013: nil).

21. EVENTS AFTER THE END OF REPORTING PERIOD

No other material matters or circumstances, other than those announced have arisen since 31 December 2014 that have significantly affected or may significantly affect:

- the Company's operations in future financial years; or
- the result of those operations in future financial years; or
- the Company's state of affairs in future financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of International Ferro Metals Limited, I state that:

1. In the opinion of the Directors:

a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the period ended on that date; and

   (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001;

b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Jordaan

Chris Jordaan
Chief Executive Officer
Sydney
23 February 2015

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To the members of International Ferro Metals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of International Ferro Metals Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error. In Note 2 (a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of International Ferro Metals Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of International Ferro Metals Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ryan Fisk
Partner
Sydney
23 February 2015